

Annual Financial Statements

for

Ulundi Local Municipality

for the year ended 30 June 2019

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Mr NG Zulu
Contact telephone number:	0358745810
Contact e-mail address:	nzulu@ulundi.gov.za
Name of Chief Financial Officer:	Mr J H Mhlongo
Contact telephone number:	035 874 5102
Contact e-mail address:	jmhlongo@ulundi.gov.za
Name of contact at provincial treasury:	Mr M Ndumo
Contact telephone number:	033 897 4525
Contact e-mail address:	MTTHOKOZISI.NDUMO@KZNTREASURY.GOV.ZA
Name of relevant Auditor:	Ms Presnee Moonie
Contact telephone number:	033 264 7400
Contact e-mail address:	Presneem@agsa.co.za
Name of contact at National Treasury:	Johan Botha
Contact telephone number:	012 315 5347
Contact e-mail address:	johan.botha@treasury.gov.za

Compiled by: _____

Reviewed by: _____

Recommended by: _____

Approved by: _____

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

General information

Legal form of entity Local Municipality

Municipal demarcation code KZN266

Nature of business and principal activities:

The main business operations of the Municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community rates and general service - All types of services rendered by the Municipality, excluding the following: Housing Services - Supply housing to the community and includes the rental of units owned by the Municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, and sewerage; - Electricity is bought in bulk from Eskom and distributed to consumers by the Municipality.

Legislation

Members of the Council

Councillor W M Ntshangase (M)
 Councillor T.G Madela (F)
 Councillor N.J Manana (F) - EXCO Ex Officio Member
 Councillor H.J Mlambo (M)
 Councillor R V Sibiya (M)
 Councillor H.S Sibiya (F)
 Councillor S M Buthelezi (M)
 Councillor R B Nyawo (M)
 Councillor B S Masondo (M)
 Councillor Prince T M Buthelezi (M)

His Worship the Mayor
Honourable Deputy Mayor
Honourable Speaker

Member of the Executive Committee
 Member of the Executive Committee
 Member of the Executive Committee
 Member of the Executive Committee
 Member of the Executive Committee
 Member of the Executive Committee
 Member of the Executive Committee

Ordinary Council Members

Councillor PM Mthethwa (M)
 Councillor ND Masondo (M)
 Councillor SN Buthelezi (M)
 Councillor ZB Mncube (M)
 Councillor J E Xulu (M)
 Councillor Am Sibiya (M)
 Councillor BL Khumalo (M)
 Councillor MS Mhlongo (M)
 Councillor T K Mkhize (M)
 Councillor L Yaka (M)
 Councillor MS Buthelezi (M)
 Councillor MS Ximba (F)
 Councillor TD Sikhakhane (M)
 Councillor MR Dubazane (M)
 Councillor JT Gasa (M)
 Councillor CK Zungu (M)
 Councillor MT Mthembu (M)
 Councillor WV Mbatha (M)

Councillor M E Buthelezi (M)
 Councillor KP Ngema (M)
 Councillor M Mdlalose (M)
 Councillor SD Sibiya (M)
 Councillor S Z Mkhize (M)
 Councillor TP Khanyile (M)
 Councillor V Ngcobo (M)
 Councillor JV Buthelezi (M)
 Councillor D Khoza (M)
 Councillor XT Mbatha (M)
 Councillor SP Nakin (F)
 Councillor NG Dlamini (F)
 Councillor S Ntshingila (F)
 Councillor IP Ngobese (F)
 Councillor S F Cindi (F)
 Councillor Z Siyaya (F)
 Councillor SS Buthelezi (F)
 Councillor MZ Sikhakhane (F)
 Councillor PB Mbatha (F)

Municipal Manager

Mr N G Zulu

Chief Financial Officer

Mr J H Mhlongo

Grading of Local Authority

Grade 3

Grade

Low Capacity

Auditors

Auditor - General South Africa

Bankers

First National Bank

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

General information (continued)

Registered Office: Cnr Princess Magogo & King Zwelithini Streets, Ulundi

Physical address: ***Cnr Princess Magogo & King Zwelithini Streets***
Ulundi
3838

Postal address: ***Private Bag X17***
Ulundi
3838

Telephone number: +27 35 874 5100 +27 35 874 5800

Fax number: +27 35 870 3506

E-mail address: nzulu@ulundi.gov.za

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Accounting Officer's Statement

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at 30 June 2019 and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the period to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Ulundi Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Although the Accounting Officer is primary responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring to your attention the following material matters:

I certify that the salaries, allowances and benefits of Councillors, and payments made to Councillors for loss of office, if any, as disclosed in note 23 to note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on pages 5 to 32, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer on 30 August 2019.

Accounting Officer: Mr N G Zulu

DATE :30 August 2019

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

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Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 R	2018 R
ASSETS			
Current assets		68 825 299	70 340 314
Cash and cash equivalents	2	4 147 188	865 272
Receivables from Exchange Transactions	3.1	16 054 047	20 609 300
Receivables from Non-Exchange Transactions	3.2	18 455 698	22 741 543
Other Current Assets	4	14 764 604	14 921 424
Inventories	5	1 987 387	2 953 183
Other Current Assets :Exchange	6	13 416 375	8 249 592
Non-current assets		393 154 345	394 313 214
Property, plant and equipment	7	383 519 950	384 335 819
Heritage Assets	7.1	10 501	10 501
Investment property	8	9 572 000	9 915 000
Intangible assets	9	51 894	51 894
Total assets		461 979 644	464 653 528
LIABILITIES			
Current liabilities		191 299 035	157 259 029
Trade and other payables	11	188 352 308	154 245 878
Consumer deposits	10	2 628 529	2 619 776
Other Non-current Liabilities	12	318 198	393 374
Current portion of finance lease liability	15	-	0
Non-current liabilities		6 260 802	5 469 626
Other Non-current Liabilities	12	6 260 802	5 469 626
Long term portion of finance lease liability	15		
Total liabilities		197 559 837	162 728 655
NET ASSETS		264 419 808	301 924 873
Reserves	13.2	10 690	10 690
Accumulated surplus	13.1	264 409 118	301 914 183
Total net assets		264 419 808	301 924 873

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 R	2018 R
Revenue			
Revenue from exchange transactions:			
Service charges	15	67 716 380	68 272 984
Rental of facilities and equipment	16	1 164 126	1 444 700
Interest earned - external	17	724 229	787 257
Licences and permits	20	57 831	388 770
Agency Fees	21	2 443 729	2 337 027
Operational Revenue	22	1 145 230	1 464 563
Revenue from non exchange transactions:			
Property rates	14	64 540 056	60 681 453
Interest on Receivables	18	1 751 243	2 903 670
Fines, Penalties & Forfeits	19	889 421	4 991 532
Government grants and subsidies	21	205 349 009	196 908 414
Provision for bad debts adjustment	3.1	293 509	24 582 378
Total revenue		346 074 763	364 762 747
Expenses			
Employee related costs	23	134 294 034	130 441 504
Remuneration of councillors	24	16 720 824	16 027 016
Impairment adjustment on traffic fines		-	8 209 655
Depreciation	25	37 680 443	41 961 256
Amortisation	9	49 513	154 983
Bad Debts Written off		6 463 776	30 124 641
Finance costs	26	11 075 299	9 558 002
Bulk purchases	27	73 077 864	65 507 212
Contracted services	28	56 553 162	55 608 370
Operational Cost	29	39 644 832	34 795 759
Inventory consumed	30	6 888 511	2 001 196
Transfers and subsidies	31	1 562 570	748 600
Total expenses		384 010 828	395 138 195
Actuarial Gain / (loss)	32	431 000	(381 669)
Surplus / (deficit) for the period		(37 505 065)	(30 757 116)

Ulundi Local Municipality
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

Balance at 30 June 2018

Surplus / (deficit) for the year - 2018/2019

Balance at 30 June 2019

Revaluation Reserve	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
R	R	R	R
10 690	-	301 914 183	301 924 873
		(37 505 065)	(37 505 065)
10 690	-	264 409 118	264 419 808

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 R	2018 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers and Government		348 887 784	393 245 906
Cash paid to suppliers and employees		-303 597 870	(362 255 946)
Cash generated by/(utilised in) operations	33	45 289 914	22 935 288
Interest received		(724 229)	(787 257)
Interest paid			3 985 815
Net cash flows from operating activities		44 565 685	26 133 846
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(36 706 952)	(28 598 279)
Proceeds from sale of land		343 000	-
Net cash flows from investing activities		(36 363 952)	(28 598 279)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in consumer deposits		8 752	122 589
Benefits paid		(393 374)	
Increase in lease liability		(4 535 195)	(4 630 678)
Net cash flows from financing activities		(4 919 817)	(4 508 089)
Net increase / (decrease) in net cash and cash equivalents		3 281 916	(1 082 149)
Net cash and cash equivalents at beginning of period		865 272	1 947 421
Net cash and cash equivalents at end of period	2.1	4 147 188	865 272

ULUNDI LOCAL MUNICIPALITY						
STATEMENT OF COMPARISON OF ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2019						
	Approved Budget	Adjustments	Final Budget	Actual	Actual vs Final budget Variance	Actual vs Final budget Variance %
	R	R	R	R	R	%
Revenue						
Property rates	65 117 000	-	65 117 000	64 540 056	-	0.89
Service charges	77 078 000	130 000	77 208 000	67 716 380	9 491 620	12.29
Rental of facilities and equipment	800 000	424 000	1 224 000	1 164 126	59 874	4.89
Interest earned - external investments	1 000 000	600 000	1 600 000	724 229	875 771	54.74
Fines	5 500 000	-	5 500 000	889 421	4 610 579	83.83
Licences and permits	3 900 000	-	3 900 000	57 831	3 842 169	98.52
Government grants and subsidies	199 849 000	9 500 000	209 349 000	205 349 009	3 999 991	1.91
Other income	1 492 000	27 000	1 519 000	1 145 230	373 770	24.61
Proceeds on sale on assets	800 000	-	800 000		800 000	100.00
Provision for bad debts adjustment		-	-	293 509	(293 509)	-
Total Revenue	355 536 000	-	307 882 000	341 879 792	(35 749 034)	
Expenses						
Employee related costs	121 111 000	13 991 000	135 102 000	134 294 034	807 966	0.60
Remuneration of councillors	16 000 000	1 500 000	17 500 000	16 720 824	779 176	4.45
Bad debts	-	-	-	-	-	-
Depreciation and amortisation expense	51 500 000	-11 113 000	40 387 000	37 680 443	2 706 557	6.70
Bad Debts Written Off	-	-	-	-	-	-100.00
Finance costs		5 516 000	5 516 000	11 075 299	(5 559 299)	-100.78
Bulk purchases	49 200 000	-200 000	49 000 000	73 077 864	(24 077 864)	-49.14
Contracted services	66 251 000	829 000	67 080 000	56 553 162	10 526 838	15.69
Other expenditure	10 548 000	-881 000	9 667 000	6 938 023	2 728 977	28.23
General expenses	28 250 000	28 104 000	56 354 000	39 644 832	16 709 168	29.65
Total Expenses	342 860 000	-	380 606 000	375 984 481	37 852 088	9.95
Actual Gain / (loss)					-	
Change in Accounting Estimate						
Profit / (loss) on fair value adjustment				-	-	
Surplus / (deficit) for the period	12 676 000	-85 489 925	-72 724 000	-37 505 065	(73 601 122)	196.24

Ulundi Local Municipality
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue From Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liability and Contingent Assets
GRAP 20	Related Party Disclosure
GRAP 21	Impairment of Non Cash Generating Assets
GRAP 23	Revenue From Non Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Non Generating Assets
GRAP 102	Intangible Assets
GRAP 104	Financial Instruments
I GRAP 1	Revenue Recognition (Traffic fines)
I GRAP 18	Recognition and Derecognition of Land

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and added and recorded to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in a statement of comparison of actual and budget to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Sewerage	20	Office equipment	5
		Furniture and fittings	10
		computer software	3
		Machinery and Equipment	7
		Tools	5
		Radio	5
		Computer equipment	3
Community			
Buildings	30		
Recreational facilities	10		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

- 2.4 The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. The values were determined by the Municipal Valuers, and Civil Engineers appointed for the purpose, and the valuation process was completed during the financial year ending 30 June 2013

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

6.1 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The entity does not offset a financial asset or financial liability unless a legally enforceable right to offset the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. "Fair value methods and assumption. The fair values of financial instruments are determined as follows: The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unutilised securities), the company establishes fair value by using valuation techniques. These include the use of the recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs."

6.2 The effective interest rate

The effective interest rate method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

6.3 Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6.4 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.4.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.4.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.4.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6.4.5 INITIAL RECOGNITION

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

11 Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11 Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

11 Operating leases - lessees

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

11 Operating leases - lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

12 REVENUE

12 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

12 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by [the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

15 IMPAIRMENT OF ASSETS

15 Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use:

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate:

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

15 Non-cash generating assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined. The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use:

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach: Depreciated replacement cost approach: Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

Depreciation replacement cost approach:

The present value of the remaining service potential of a non cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement:

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: - to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 Employee benefits

16 Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The Projected Unit Credit funding method has been used to determine the value of this liability.

16 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

16 Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods. The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

17 Budget

The municipality's budget has been prepared on accrual basis method.

18 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

19 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

21 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 JUNE 2019

Note 2019
R R

2 CASH AND CASH EQUIVALENTS

2.1 Cash and cash equivalents consist of the following:

Call Deposits

	512.00	266 788.00
(FNB 62328066776 Electricity Sales Acc)	691.00	18 982.00
(FNB 62324120261 DME Account)	706.00	606.00
(FNB 62062833639 Housing Grant)	14.00	1 090.00
(FNB 62067492802 Conditional Grant)	115.00	1 279.00
(FNB 62064936093 FMG GRANT)	3 494 061.00	370.00
(FNB 62064936340 Statutory Funds)	108.00	46 023.00
(FNB 62067492943 MIG Funds)	22.00	550.00
(FNB 62179391190 Investment Acc Main)	408.00	763.00
(FNB 62261683471 Traffic revenue)		
	3 496 637.00	336 451.00

Cash at bank

Primary bank account	587 160	449 403
Salaries bank account	6 230	19 348
Credit card	55 021	
	648 411	468 751

Cash on hand

Petty cash	1 000	1 000
Main direct cashiers clearing account	1 140	59 070
	2 140	60 070

Total cash & cash equivalents

4 147 188 865 272

2.2 Bank accounts

The Municipality has the following bank accounts: -

First National Bank - Ulundi: 62035267609 587 160 449 403

2.3 Current Account (Primary Bank Account)

First National Bank - Ulundi: 62035267609

(FNB 62328066776 Electricity Sales Acc)
(FNB 62324120261 DME Account)
(FNB 62062833639 Housing Grant)
(FNB 62067492802 Conditional Grant)
(FNB 62064936093 FMG GRANT)
(FNB 62064936340 Statutory Funds)
(FNB 62067492943 MIG Funds)
(FNB 62179391190 Investment Acc Main)
(FNB 62261683471 Traffic revenue)
(FNB 4228250060371001 Credit Card)

2018/2019		
Cash book	Bank Statement	Difference
587 160.00	587 160.00	-
512.00	512.00	-
691.00	691.00	-
706.00	706.00	-
14.00	14.00	-
115.00	115.00	-
3 494 061.00	3 494 061.00	-
108.00	108.00	-
22.00	22.00	-
408.00	408.00	-
55 021.00	55 021.00	-

First National Bank - Ulundi: 62035267609

(FNB 62328066776 Electricity Sales Acc)
(FNB 62324120261 DME Account)
(FNB 62062833639 Housing Grant)
(FNB 62067492802 Conditional Grant)
(FNB 62064936093 FMG GRANT)
(FNB 62064936340 Statutory Funds)
(FNB 62067492943 MIG Funds)
(FNB 62179391190 Investment Acc Main)
(FNB 62261683471 Traffic revenue)
(FNB 4228250060371001 Credit Card)

2017/2018		
Cash book	Bank Statement	Difference
449 403.00	449 403.00	-
266 788.00	266 788.00	-
18 982.00	18 982.00	-
606.00	606.00	-
1 090.00	1 090.00	-
1 279.00	1 279.00	-
370.00	370.00	-
46 023.00	46 023.00	-
550.00	550.00	-
763.00	763.00	-
-35 000.00	-35 000.00	-

2018/2019 2017/2018

3 CONSUMER RECEIVABLES

3.1 CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables

as at 30 June 2019

Waste management & Electricity

Gross Balances	Impairment	Net balance
R	R	R
31 936 533	15 882 486	16 054 047
31 936 533	15 882 486	16 054 047

Total Trade and other receivables

as at June 2018

Service debtors

Total

31 936 533	96 170 240	96 170 240
38 800 888	18 191 588	20 609 300.46
38 800 888	18 191 588	20 609 300

Refuse: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 Days and over

Total

778 914	606 717
246 447	343 898
185 313	294 359
125 294	439 513
1 464 960	2 176 792
2 800 928	3 861 279

3.1.1 IMPAIRMENT RECONCILIATION OF CONSUMER RECEIVABLES

Balance at beginning of the year

Impairment reversal

Balance at end of year

43 857 805	68 440 183
(293 509)	(24 582 378)
43 564 296	43 857 805

3.1.2 Ageing of Impaired Consumer Receivables

Current (0 – 30 days)

31 - 60 Days

-	-
-	-

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 JUNE 2019

	Note	2019 R	2018 R
61 - 90 Days		264 185	241 877
91 - 120 Days		453 156	1 603 548
121 Days and over		42 846 955	42 012 380
		43 564 296	43 857 805

No Government debts have been provided for in above amounts as per the Municipal approved policy.

Trade and other receivables impaired

As of 30 June 2019, trade and other receivables of R43 564 296 were impaired and provided for.

3.2 TRADE AND OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTION	Gross Balances R	Impairment R	Net balance R
Trade receivables			
as at 30 June 2019			
Rates	46 137 508	27 681 810	18 455 698
	46 137 508	27 681 810	18 455 698
Total Trade and other receivables	46 137 508	96 170 240	96 170 240
as at June 2018			
Rates	48 407 760	25 666 217	22 741 542.54
Total	48 407 760	25 666 217	22 741 543

Total Trade and other receivables

Rates: Ageing

Current (0 – 30 days)	(18 895 842)	(18 895 842)
31 - 60 Days	794 124	794 124
61 - 90 Days	670 660	670 660
91 - 120 Days	2 765 111	2 765 111
121 Days and over	63 073 707	63 073 707
Total	48 407 760	48 407 760

Electricity and other: Ageing

	2019	2018
Current (0 – 30 days)	6 094 886	6 094 886
31 - 60 Days	1 215 827	1 215 827
61 - 90 Days	437 305	437 305
91 - 120 Days	643 241	643 241
121 Days and over	22 057 699	22 057 699
Total	30 448 958	30 448 958

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Traffic fines accruals	23 131 079	23 131 079
Traffic fines to date	120 533 491	120 533 491
Traffic fines impaired	(97 402 412)	(97 402 412)
Traffic fines adjustment	(8 366 475)	(8 209 655)
Total Other Debtors	14 764 604	14 921 424

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 JUNE 2019

5 INVENTORIES

Opening balance
Consumables:Received
Consumables:Issued

Closing balance of inventories:

2019 R	2018 R
2 953 183	3 504 472
578 953	517 785
(1 544 749)	(1 069 074)
1 987 387	2 953 183

6 OTHER RECEIVABLES FROM -EXCHANGE TRANSACTIONS

VAT receivable not yet assessed
VAT receivable
Other debtors
Other debtors (Petrol deposit)
Accrued interest on investments

9 767 850	8 692 084
3 179 561	-618 385
447 203	143 120
-	30 000
21 761	2 773
13 416 375	8 249 592

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other Assets R	Finance lease assets R	Total R
Carrying as at 01 July 2018	116 265 618	163 350 519	96 840 565	7 879 117	-	384 335 819
Cost/Revaluation	141 974 554	847 483 355	124 893 476	17 082 424	-	1 131 433 808
Accumulated depreciation and impairment losses	(25 708 936)	(684 132 836)	(28 052 911)	(9 203 307)	-	(747 097 989)
Movements for the period ended 30 JUNE 2019						
Movements for the year						
Acquisitions/ Additions		24 600 733	7 153 165.00	5 110 561		36 864 459
Capital Under Construction						-
Depreciation for the year	(2 389 462)	(22 562 290)	(6 063 396)	(6 665 309)		(37 680 457)
Transfers of Assets/disposals (cost)	(23 457 876)	(2 543 398)	25 586 974	414 300		-
Transfers of Assets/disposals (Accumulated Depreciation)	9 130 778	507 721	(9 602 728)	(35 771)		-
Cost/Revaluation						-
Carrying amount as at 30 JUNE 2019	99 549 058	163 353 285	113 914 580	6 703 027	-	383 519 950
Cost/Revaluation	118 516 678	869 540 690	157 633 615	22 607 285	-	1 168 298 267
Accumulated depreciation and impairment losses	(18 967 620)	(706 187 405)	(43 719 035)	(15 904 387)	-	(784 778 446)

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018
Property, Plant and Equipment (continued)

Reconciliation of Carrying Value	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
Carrying as at 01 July 2017	118 913 509	187 243 230	79 444 756	8 887 342	3 209 958	397 698 795
Cost/Revaluation	141 599 554	840 680 269	104 197 356	16 358 350	13 786 800	1 116 622 329
Accumulated depreciation and impairment losses	(22 686 045)	(653 437 039)	(24 752 600)	(7 471 008)	(10 576 842)	(718 923 534)
Movements for the period ended 30 JUNE 2018						
Movements for the year						
Acquisitions/ Additions	375 000	3 892 773	8 057 734.00	724 073		13 049 580
Capital Under Construction		2 910 313	12 638 386			15 548 699
Depreciation for the year	(3 022 891)	(30 695 797)	(3 300 311)	(1 732 299)	(3 209 958)	(41 961 256)
Transfers of Assets/disposals (cost)					13 786 800	13 786 800
Transfers of Assets/disposals (Accumulated Depreciation)					(13 786 800)	(13 786 800)
Cost/Revaluation						-
Carrying amount as at 30 JUNE 2018	116 265 618	163 350 519	96 840 565	7 879 117	-	384 335 819
Cost/Revaluation	141 974 554	847 483 355	124 893 476	17 082 424		1 131 433 808
Accumulated depreciation and impairment losses	(25 708 936)	(684 132 836)	(28 052 911)	(9 203 307)		(747 097 990)

7.1 Heritage asset

Opening balance
Movements
Closing balance

2019 2018

10 501	10 501
-	-
10 501	10 501

8 INVESTMENT PROPERTY

Carrying amount beginning of the year
Sales recognised during the year
Carrying amount end of the year

2019 2018

9 915 000	9 915 000
(343 000)	-
9 572 000	9 915 000

9 Intangible asset

Cost
Accumulated amortisation

2019 2 018
51 894 **660 234**

232 727	909 363
(180 833)	(249 129)

Write off - cost

Additions

Amortisation

Closing balance

Fair Value

Accumulated amortisation

223 279
(676 636)
0

-154 983

51 894

232 727	232 727
-230 346	-180 833

Ulundi Local Municipality			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019			
	Note	2019 R	2018 R
10 Consumer Deposit			
Electricity		2 628 528.92	2 619 776.47
11 TRADE AND OTHER PAYABLES			
Trade creditors		33 964 920.51	113 202 912.21
Bulk Purchase		111 836 666.00	
Workmans Compensation Fund		3 121 125.00	3 121 125.00
Payments received in advance		5 465 058.00	4 493 085.00
Retentions		10 907 866.88	9 779 179.00
Deposits other			200 530.00
Land Sales		9 498 188.62	9 059 243.00
Overdrawn-Credit Card			35 000.00
Other creditors		1 146 769.00	1 955 145.00
		175 940 594.01	141 846 219.21
Employee Benefit :			
Opening		11 815 932.00	9 356 846.20
Change in Bonus		152 684.00	360 247.00
Change in leave accrual		443 098.00	2 682 566.00
Total creditors		12 411 714.00	12 399 659.20
TOTAL TRADE AND OTHER PAYABLES		188 352 308.01	154 245 878.41
12 LONG SERVICE LEAVE AWARDS			
		2019 R	2018 R
Accrued liability on 30 June 2017		-	5 222 973.00
Prior year adjustment		-	364 027.00
		5 863 000.00	5 587 000.00
Current service cost		590 000.00	519 000.00
Interest cost		557 000.00	534 000.00
Benefits paid		-393 374.00	-828 763.29
Current portion of long service		318 197.65	393 374.00
Actuarial loss/(Gain)		-355 823.65	-341 610.71
		6 579 000.00	5 863 000.00
13.1 ACCUMULATED SURPLUS		2019	2018
		264 409 118.27	301 914 182.54
(Deficit)/Surplus for the year		-37 505 064.27	-30 757 115.46
Other accumulated surplus		301 914 182.54	332 671 298.00
13.2 Reserves		10 690.00	10 690.00
Revaluation Reserves		10 690.00	10 690.00
14 PROPERTY RATES			
Residential Properties		12 525 064.00	12 154 457.00
Business and Commercial Properties		19 674 376.77	18 013 120.00
Agricultural Property		2 952 646.82	2 773 016.00
State owned Properties		32 754 836.00	31 179 773.00
Rates rebates		-3 966 868.00	-3 438 913.00
Total property rates		64 540 055.59	60 681 453.00

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note	2019 R	2018 R	
15 SERVICE CHARGES				
ELECTRICITY				
Electricity Consumption		59 754 971.04	61 396 503.00	
Total		59 754 971.04	61 396 503.00	
Waste Management				
Consumption Waste management		9 579 564.08	8 767 349.00	
Less rebates on refuse		-1 618 154.64	-1 890 868.00	
Total		7 961 409.44	6 876 481.00	
Total Service Charges		67 716 380.48	68 272 984.00	
16 RENTAL OF FACILITIES AND EQUIPMENT				
Market related		395 193.30	658 862.94	
Non-market related		768 932.84	785 837.33	
Total rentals		1 164 126.14	1 444 700.27	
17 INTEREST EARNED - EXTERNAL INVESTMENTS				
Short term investments and call accounts		724 229.21	787 257.07	
Total interest		724 229.21	787 257.07	
18 INTEREST FROM RECEIVABLES				
Exchange Receivables		79 095.04	75 374.77	
Non-Exchange Receivables		1 672 147.75	2 828 295.23	
Total interest		1 751 242.79	2 903 670.00	
19 FINES, PENALTIES AND FORFEITS				
Fines	19.1	838 677.45	4 871 858.43	
Forfeits	19.2	50 743.63	119 673.37	
Total FINES, PENALTIES AND FORFEITS		889 421.08	4 991 531.80	
19.1 Fines				
Traffic Fines				
Municipal Fines		825 728.26	4 537 010.54	
Other Fines				
Illegal connections		12 057.89	334 547.89	
Overdue books fine		861.30	300.00	
Total Fines		838 677.45	4 871 858.43	
19.2 Forfeits				
Deposits		50 743.63	119 673.37	
Total		50 743.63	119 673.37	
20 LICENCES AND PERMITS				
Exchange revenue		57 831.16	388 769.62	
Total		57 831.16	388 769.62	
21 Agency fees				
Provincial		2 443 728.68	2 337 027.06	
Total		2 443 728.68	2 337 027.06	
22 TRANSFERS AND SUBSIDIES				
22.1 Operational				
Monetary Allocations		169 014 008.93	132 566 000.00	
22.2 Capital				
Monetary Allocations		36 335 000.00	64 342 414.00	
Total Government Grant and Subsidies		205 349 008.93	196 908 414.00	
22.3 Monetary Allocations : Operational				
National Government				
Equitable Share		143 729 000.00	132 566 000.00	
Integrated National Electrification Programme		18 000 008.93	26 000 000.00	
Finance Management Grant		1 870 000.00	1 800 000.00	
Expanded Public Works Programme		3 854 000.00	2 994 996.00	
Provincial Government		167 453 008.93	163 360 996.00	
Provincialization of Libraries		1 081 000.00	1 018 000.00	
Planning and Development		500 000.00	-	
Total		1 561 000.00	1 018 000.00	
21.4 Monetary Allocations : Capital				
National Government				
Municipal Infrastructure Grant		36 335 000.00	31 388 000.00	
Total		36 335 000.00	31 388 000.00	
22 OPERATIONAL REVENUE				
Operational Revenue				
Administrative Handling Fees		3 517.14	2 082.17	
Transaction Handling Fees		138 699.91	413 082.93	
Incidental Cash Surplus		8 271.00	22 805.00	
Staff Recoveries		277 235.60	177 798.72	
Building Plan Approval		136 807.56	112 360.73	
Cemetery and Burial		64 792.06	26 345.38	
Clearance Certificate		219 807.95	34 480.41	
Libraries: Membership		2 982.41	328.29	
Photocopies and Faxes		40 327.85	14 805.32	
Tender Documents		-	19 260.75	
Disconnection /Reconnection Fees		203 211.29	192 291.24	
Temporary Connection Fee		47 811.17	8 772.59	
Compliance Testing		180.00	3 337.00	
Library Donations		1 586.00	436 801.00	
Total		1 145 229.94	1 464 562.53	
23 Employees Related Costs				
23.1 Municipal Staff costs				
Senior managers				
23.2 Senior managers				
Total		134 294 033.89	130 441 504.30	
23.1 Municipal Staff costs				
Basic Salary		81 134 311.80	75 449 726.66	
Bonus		6 017 080.57	540 649.57	
Service Related Benefits		3 354 267.75	8 093 015.20	
Allowances		9 527 109.02	9 539 405.07	
Bargain Council		38 175.43	32 892.75	
Pension		19 227 366.97	12 408 031.09	
Unemployment Insurance Fund		681 103.96	564 657.62	
Medical		7 367 341.75	11 191 036.40	
Group Life Insurance		-	6 217 488.94	
Total		127 346 757.25	124 036 885.30	
There were no advances to employees / Loans to employees are set out				
23.2 Senior managers				
Remuneration of the Municipal Manager				
Basic Salary		1 264 364.84	1 192 936.00	
Allowances		174 458.92	-	
Bargain Council		111.84	124 509.00	
Pension		-	1 785.00	
Unemployment Insurance Fund		1 776.00	-	
Total		1 440 711.60	1 319 230.00	
Remuneration of the Chief Finance Officer				
Basic Salary		773 067.00	824 272.00	
Allowances		142 806.00	-	
Bargain Council		111.84	108 509.00	
Pension		-	1 785.00	
Unemployment Insurance Fund		1 776.00	-	
Total		917 760.84	934 566.00	

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note		2019 R	2018 R
Remuneration of the Director Corporate Services				
Basic Salary			773 067.00	1 006 470.00
Allowances			142 806.00	142 806.00
Bargain Council			111.84	111.84
Pension			1 776.00	1 785.00
Unemployment Insurance Fund			1 776.00	-
Total			917 760.84	896 622.00
Remuneration of Individual Executive Directors				
	Technical Services R	Planning & R	Community Services R	Protection Services R
2019				
Basic Salary	773 067.00	773 067.00	773 067.00	773 067.00
Allowances	142 806.00	142 806.00	142 806.00	142 806.00
Bargain Council	111.84	111.84	111.84	111.84
Pension	1 776.00	1 776.00	1 776.00	1 776.00
Unemployment Insurance Fund	1 776.00	1 776.00	1 776.00	1 776.00
Total	917 760.84	917 760.84	917 760.84	917 760.84
	Technical Services R	Planning & R	Community Services R	Protection Services R
2018				
Annual Remuneration	952 150	737 559	387 779.00	768 099.00
Travel, motor car, accommodation, subsistence and other allowances	176 600	102 509	14 000.00	107 109.00
Contributions to UIF, Medical and Pension Funds	1 785	1 785	1 041.00	1 785.00
Total	1 130 535	841 853.00	402 820.00	876 993.00
Total				
24 REMUNERATION OF COUNCILLORS				
2019				
24.1 Executive Mayor				
Basic Salary			524 810.16	504 047.64
Cell Phone Allowance			44 400.00	44 400.00
Travelling Allowance			206 937.24	198 978.24
Social Contributions				
Medical Aid Benefits			17 280.00	17 280.00
Pension Fund Contribution			78 721.56	75 607.20
Total			872 148.96	840 313.08
24.2 Deputy Executive Mayor				
Basic Salary			416 843.52	400 233.24
Cell Phone Allowance			44 400.00	44 400.00
Travelling Allowance			165 549.96	159 182.76
Social Contributions				
Medical Aid Benefits			17 280.00	18 797.40
Pension Fund Contribution			60 035.04	60 035.04
Total			644 073.48	682 648.44
24.3 Speaker				
Basic Salary			416 843.52	400 233.24
Cell Phone Allowance			44 400.00	44 400.00
Travelling Allowance			165 549.96	159 182.76
Social Contributions				
Medical Aid Benefits			17 280.00	17 280.00
Pension Fund Contribution			62 525.48	60 035.04
Total			706 599.96	681 131.04
24.4 Chief Whip				
Basic Salary			210 847.20	219 878.41
Cell Phone Allowance			44 400.00	44 400.00
Travelling Allowance			86 584.80	83 254.46
Social Contributions				
Medical Aid Benefits			17 280.00	17 280.00
Pension Fund Contribution			31 627.00	30 323.88
Total			390 739.00	395 136.75
24.5 MPAC Chairperson				
Basic Salary			204 215.88	
Cell Phone Allowance			44 400.00	
Travelling Allowance			82 157.27	
Social Contributions				
Medical Aid Benefits			17 280.00	
Pension Fund Contribution			31 780.05	
Total			379 833.20	
24.6 Executive Committee Members				
Basic Salary			1 113 081.99	1 179 719.45
Cell Phone Allowance			310 800.00	262 700.00
Travelling Allowance			606 093.60	492 589.48
Social Contributions				
Medical Aid Benefits			120 960.00	86 400.00
Pension Fund Contribution			221 389.56	213 543.49
Total			2 372 305.15	2 234 952.42
24.7 All Other Councillors				
Allowances and Service Related Benefits				
Basic Salary			5 489 171.55	5 664 275.68
Cell Phone Allowance			1 557 775.62	1 583 546.76
Travelling Allowance			2 284 547.48	2 359 840.76
Social Contributions				
Medical Aid Benefits			605 821.94	695 709.77
Pension Fund Contribution			817 807.35	889 461.30
Total			10 755 123.94	11 192 834.27
Total Councillors' Remuneration			16 720 824	16 027 016
In-kind Benefits				
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive				
25 DEPRECIATION, AMORTISATION AND IMPAIRMENT				
25.1 AMORTISATION				
Intangible assets		9	49 512.68	154 983.00
25.2 DEPRECIATION				
Property, Plant and Equipment		7	37 680 443.23	41 961 255.87
Total Depreciation and Amortisation			37 729 955.91	42 116 238.87
26 INTEREST COST				
Finance Lease Interest			-	3 985 815.00
Interest on overdue			11 075 299.00	5 572 187.00
Total Finance Costs			11 075 299.00	9 558 002.00
27 BULK PURCHASES				
Electricity			73 077 863.97	65 507 212.00
Total Bulk Purchases			73 077 863.97	65 507 212.00
28 CONTRACTED SERVICES				
Consultants and Professional services	28.1		4 781 770.69	10 285 609.11
Contractors	28.2		9 044 180.04	18 846 802.73
Outsourced Services	28.3		42 727 211.10	26 475 957.88
Total Contracted services			56 553 161.83	55 608 369.72
28.1 Consultants and Professional services				
Business advisory services				
Research and advisory			542 783.00	157 894.73
Commission and Committees			2 469 000.00	
Medical Examinations				797 201.50

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note	2019 R	2018 R	
Project Management			994 566.18	
Valuer and Assessors			18 971.05	
Total: Research and advisory		3 011 783.00	1 968 633.46	
Engineering Services				
Civil		58 613.00	1 169 887.00	
Electrical		491 371.00	5 570 235.75	
Total: Engineering Services		549 984.00	6 740 092.75	
Infrastructure and Planning Services				
Land and Quantity surveyors		100 835.00	23 304.20	
Town planner		746 717.00	169 168.70	
Total: Infrastructure and Planning Services		847 552.00	192 472.90	
Legal Services				
Legal advice and litigation		372 451.69	1 384 410.00	
Total: Legal advice and litigation		372 451.69	1 384 410.00	
Total: Consultants and Professional services		4 781 770.69	10 285 609.11	
28.2 Contractors				
General services				
Buildings		32 150.00	306 098.80	
Audio visual services		1 329 801.76	1 741 825.83	
Catering services		217 447.21	858 395.62	
Electrical		2 537 273.27	12 254 965.19	
Gardening Services			100 000.00	
Gas			14 085.00	
Pest control and fumigation		47 048.00		
Plants, Flowers and other Decorations		1 087 700.00	51 900.00	
Sport and recreation		239 034.40	10 350.00	
Stage and sound crew		170 900.00	582 393.70	
Traffic and streets light		263 632.00	303 681.20	
Total General services		5 924 986.64	16 223 695.34	
Maintenance services				
Maintenance of equipment		403 130.09	548 442.87	
Maintenance of unspecified assets		2 342 963.31	1 212 382.06	
Total Maintenance services		2 745 693.40	1 760 624.93	
Trading services				
Prepaid electricity vendors		373 500.00	862 282.46	
Total Trading services		373 500.00	862 282.46	
Total Contractors		9 044 180.04	18 846 802.73	
28.3 Outsourced Services				
Business and Advisory Services				
Commission and Committees		34 448.00	64 114.24	
Communications			5 520.00	
Human Resources		37 985.36	39 500.00	
Project management		4 012 993.00		
Research and advisory		672 000.00	30 495.00	
Valuer		1 498 932.00	471 606.28	
Total Business and advisory services		6 256 358.36	611 235.52	
General Services				
Administrative and support staff		14 520.00	53 700.00	
Burial services		1 059 043.00	1 002 543.76	
Allen Vegetation Control			13 000.00	
Clearing and grass cutting service		47 048.00	186 000.00	
Catering Services		4 273 236.10	3 453 993.85	
Hygiene services		384 540.00	107 818.69	
Meter management		1 133 471.87	1 279 160.00	
Medical Services			37 800.00	
Professional staff		13 800.00	209 574.00	
Refuse removal		7 167 297.00	8 229 531.41	
Security services		5 339 885.00	6 734 671.10	
Traffic fines management		1 599 520.67	1 272 618.19	
Transport services		269 250.00	524 384.21	
Total general services		21 301 611.74	23 104 795.21	
Trading services				
Electrical		15 169 241.00	2 759 927.15	
Total Trading services		15 169 241.00	2 759 927.15	
Total outsources services		42 727 211.10	26 475 957.88	
29 Operational Costs				
Corporate and municipal activities		453 530.00	129 482.00	
Gifts and promotional items		4 800 891.80	2 793 314.35	
Municipal news letters		12 105.28	39 053.69	
Bank accounts		236 260.56	299 719.00	
Third Parties		427 852.20	509 132.41	
Bus fares - employees		135 270.00	48 320.00	
Radio and TV Transmission		3 084 728.11		
Telephone, Fax, Telegraph and telex		1 204 398.73	1 366 940.07	
Carrier and delivery services		718 992.25	115 137.41	
Drivers licences and permits		230 177.30	280 608.00	
Audit fees : External		2 592 803.24	2 319 329.58	
Software licences		2 079 317.64	1 604 619.95	
Specialised computer services		643 778.84	917 095.70	
System advisor		293 448.68	3 059 511.19	
Firearm handling fees		345 701.60		
Hire charges		911 111.10	1 357 461.97	
Premiums		670 916.66		
Licence agency fees		2 725.22		
Municipal services		270 582.09	382 485.12	
Printing, Publications and Books		361 796.61	2 421 647.47	
Professional Bodies, Membership and Subscription		575 261.36		
Seminars, Conferences, Workshops and events		732 028.00	1 144 048.15	
Remuneration to ward committees		2 576 000.00	2 145 849.22	
Sitting allowance for traditional leaders		67 810.00	70 300.00	
Skills Development Fund levy		949 904.95	899 605.38	
Transport assets		10 626 120.59	3 983 089.89	
Toll gate fees		5 151.00	546.00	
Events		76 475.18	364 092.11	
Accommodation		692 665.14	839 775.84	
Food and Beverages		839.60	8 433.34	
Air Transport		60 164.50	8 250.00	
Own Transport		1 470.00	8 223.39	
Uniform and Protective clothing		1 938 452.00	296 619.95	
Wet Fuel		1 806 102.11	2 523 711.63	
Accommodation Foreign		-	82 795.40	
Car Rental		-	2 798 732.56	
Incidental Cost		-	29 200.00	
Municipal Activities		-	133.50	
System Access and Information fees		-	1 362.71	
Signage		-	19 194.00	
Motor Licences and Registration		-	48 434.55	
Leashership and Internship		-	18 901.75	
Access Payments		-	448 858.01	
Commission Prepaid Electricity		-	1 406 972.27	
Postage, Stamp and Franking Machine		-	3 772.02	
Total Operational Costs		39 644 832.34	34 795 759.48	
30 Inventory Consumed				
Consumables		6 888 510.54	2 001 196.29	
Total Inventory Consumed		6 888 510.54	2 001 196.29	
31 Transfers & subsidies				
Grant in Aid		1 562 570.37	748 600.00	

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note	2019	2018	
		R	R	
Total Transfers & subsidies		1 562 570.37	748 600.00	
32 GAIN / (LOSS)				
Loss on sale of land				
Actuarial gain/(loss)		-	-341 610.71	
Loss on sale of land		431 000.00		
Total Gain / (Loss)		431 000.00	-341 610.71	
33 CASH GENERATED BY OPERATIONS				
Surplus/(deficit) for the year		37 505 065	30 757 115.46	
Depreciation and impairment disposal of land		37 729 956	42 116 238.87	
			361 699.00	

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note	2019 R	2018 R	
(Increase)/decrease in provisions	-	293 509	878 704.00	
Contribution to provisions - current		6 463 776	-24 582 378.00	
Finance costs	-	431 000	3 985 815.00	
Interest earned		590 000	-787 257.00	
Operating surplus before working capital changes:		557 000		
		724 229	-8 764 293.59	
(Increase)/decrease in inventories		965 795	551 289.00	
(Increase)/decrease in trade receivables		4 655 254	9 905 532.00	
(Increase)/decrease in other receivables		4 285 844	1 031 403.00	
(Increase)/decrease in VAT receivable	-	5 167 159	-608 674.00	
Increase/(decrease) in conditional grants and receipts		156 820	-	
Increase/(decrease) in trade payables		29 598 341	20 820 032.00	
Cash generated by/(utilised in) operations		40 781 824.81	22 935 288.41	
34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL				
34.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure				
Opening balance		-	-	
Unauthorised expenditure current year				
Transfer to receivables for recovery				
Unauthorised expenditure approved by Council and awaiting condoning		-	-	
34.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure				
Opening balance -		40 806 418.00	35 234 231.00	
Fruitless incurred during the year		11 075 299.00	5 572 187.00	
Fruitless and wasteful expenditure for the period ended 30 June 2018		-51 881 717.00		
Fruitless and wasteful expenditure approved by Council and awaiting condoning		-	40 806 418.00	
34.3 Irregular expenditure and Deviations				
34.3.1 Irregular expenditure				
Reconciliation of irregular expenditure				
Opening balance		111 400 155.00	55 641 219.00	
Irregular expenditure current year		22 416 726.00	55 798 936.00	
Condoning recommended or written off by Council				
Awaiting Treasury's final approval		-133 815 881.00		
Irregular expenditure awaiting condoning		-	111 400 155.00	
34.3.2 Deviations				
Reconciliation of Deviations				
Opening balance		-	0	
Deviations current year		-	534 600	
Condoned or written off by Council				
Transfer to receivables for recovery – not condoned				
Deviations awaiting condoning		-	534 600	
34.3.3 Awards to close family members or persons in the service of the state				
Supplier	Interest declared	Employee in service	Payments made in 2018/2019 (R)	
Brand partners	Yes	Honourable MEC -	2 106 728.00	
			2 106 728.00	
35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE				
35.1 Contributions to organised local government				
Amounts paid to organised government				-1 498 361.00
Amounts due at reporting date				
Balance unpaid (included in payables)				-1 498 361
35.2 Audit fees				
Opening balance				-
Current year audit fee				2 319 330.00
Amount paid - current year				-2 592 803.24
Balance unpaid (included in payables)				-
35.3 Councilors' arrear consumer accounts				
The following Councilors had arrear accounts outstanding	Total		Outstanding less than 90 days	Outstanding more
as at 30 June 2019		as at 30 June 2018		
13 weeks	2 003.00	13 weeks	774.00	1 229.00
	2 003.00		774.00	1 229.00
35.4 CAPITAL COMMITMENTS				
Commitments in respect of capital expenditure		2019	2018	
		30 900 000.00	31 388 000.00	
Community			21 950 382.00	
Community		30 900 000.00	9 437 618.00	
Approved and contracted for				
This expenditure will be financed from:				
- Government Grants		57 338 000.00	57 338 000.00	
		57 338 000.00	57 338 000.00	
35.5 Operating commitment				
Commitments		2019	2018	
		41 000 000.00	22 326 278.54	
		41 000 000.00	22 326 278.54	
35.6 PENSION FUND INFORMATION				
35.6.1 Defined contribution plan				
Certain Councilors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2015. The Actuary advised that the fund is 90.6% funded. The surcharge has been increased from 17% to 17.5% and the repayment period be extended from 5 to 8 years, at which time the deficit is expected to be fully funded.				
35.6.2 SUPERANNUATION FUND				
The Actuary advised that the valuation disclosed that, for the fund overall, the liabilities for service to the valuation date were 96% funded. The actuarial valuation disclosed that the fund was in deficit. A surcharge of 9.5% of pensionable salaries has been imposed for 8 years from 1 March 2014 to meet the deficit.				
The actuary has recommended the following				
It is recommended that the local authorities continue to pay the current contribution				
rate of 21.63% of pensionable salaries to be reviewed as at 31 March 2013				
35.6.3 Provident Fund				
The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2012.				
Certain Councilors and employees belong to defined benefit retirement				
36 CONTINGENT LIABILITY				
Claim for damages				
The following matters are currently on the roll of the high court and as				

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note		2019 R	2018 R
G.M. Zondo on behalf of L.Z. Zondo vs Ulundi Municipality			-	2 000 000.00
Telkom SA vs Ulundi			126 289.33	126 289.33
Mabaso case the municipality is defending the matter pleadings not yet.			150 000.00	150 000.00
Ciout media case municipality defending the matter awaiting trial date.			400 000.00	400 000.00
Umphele Bid Appeal			-	800 000.00
R & G Consultants and others vs Ulundi municipality and others			100 000.00	100 000.00
			176 289.33	3 576 289.33
KEY SOURCES OF ESTIMATION UNCERTAINTY AND				
No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant affect on the amounts recognised in the financial statements.				

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note	2019 R	2018 R	
37	DISTRIBUTION LOSSES			
	approximately 15 684 098 units for the period ended 30 June 2019,			
	Number of consumers (Residential and Commercial)			
	Units purchased (kwh)	76 128 144	79 934 419	
	Units sold (total)	60 444 046	51 345 575	
	Units lost in distribution	15 684 098	28 588 844	
	% Lost in distribution	36.00	36.00	
	Average Cost per unit purchased (cents)	0.82	0.82	
	TOTAL COST OF DISTRIBUTION LOSSES	12 860 960	23 442 852	
38	RISK MANAGEMENT			
	Maximum credit risk exposure			
	Credit risk is the risk that a counterparty will not meet its obligations	31 936 533.00	38 800 888.00	
	Credit risk consists mainly of cash deposits, cash equivalents and trade	4 147 188.00	865 272.00	
	Trade receivables comprise a widespread customer base. Management	31 936 533.00	38 800 888.00	
	These balances represent the maximum exposure to credit risk;			
	Cash and cash equivalents	3 496 637.00	336 451.00	
	Trade receivables			
	Financial assets exposed to credit risk at year end were as			
	First National Bank Call Investments	2019	2018	
	These balances represent the maximum exposure to credit risk.			
39	Liquidity risk			
	The municipality's risk to liquidity is a result of the funds available to	33 964 920.51	113 202 912.21	
	The table below analyses the municipality's financial liabilities into	33 964 920.51	113 202 912.21	
	Payables			
	Unspent conditional grants			
40	Going Concern			
1	The Annual Financial Statements have been prepared on the assumption that this Municipality will continue to operate as a going concern for the next twelve months however it will continue to experience financial challenges due to the distribution loss on electricity which is sitting at 36% (Technical and Non- Technical) as disclosed in Note 37 of the Annual Financial Statements . Secondly this is also evidenced by current ratio (i.e. Current Assets / Current Liabilities) which is 0.36 : 1 against the norm of 2:1 in terms of MFMA Circular 71. This is attributable to the Eskom debt due by this Municipality which is sitting at R111 836 666.16			
2	To minimise this financial gap, the new Valuation Roll in terms of Municipal Property Rates act will be implemented as from 01 July 2019. It is anticipated that improvement in revenue collections from property rates will be realized especially in the case of State owned properties as well as commercial customers.			
41	Related parties			

Ulundi Local Municipality				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019				
	Note	2019 R	2018 R	
Other than the related parties indicated in note 23 and 24,(refer to note on remuneration of employees and councillors), the municipality did not have any other related parties. No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.				
42 Events after the reporting date				
There were no events that occurred subsequent to 30 June 2019 that				
43 Reclassification				
OTHER RECEIVABLES FROM -EXCHANGE TRANSACTIONS	Note 6			
VAT provision		8 692 084	8 692 084	-
VAT receivable		(618 385)	(618 385)	-
Other debtors			143 120	-143 120
Other debtors (Patrol deposit)			30 000	-30 000
Accrued interest on investments		2 773		-2 773
		8 073 699	8 249 592	-175 893